

Housing forecast dips slightly due to tighter lending

by Bend_Weekly_News_Sources

Housing activity this year will be somewhat lower than in earlier forecasts, with clearer analysis of the effects of stricter lending standards and a decline in subprime mortgage origination, according to the latest projections by the National Association of Realtors(R).

Lawrence Yun, NAR senior economist, said one benefit for the market is the disappearance of speculative behavior, which contributed to abnormal price growth. "Home buyers today are purchasing for the long-term, generally with a realistic expectation of modest gains over time," Yun said.

"Housing first and foremost is shelter. Second, it's a long-term investment that slowly builds the greatest amount of wealth for most families. It's good that we're getting beyond the tendency of some buyers to view housing as a temporary asset to accumulate short-term wealth, which is not to be expected in a normal market."

Existing-home sales are likely to total 6.29 million this year and 6.49 million in 2008, compared with 6.48 million last year. New-home sales are projected at 864,000 in 2007 and 936,000 next year, lower than the 1.05 million in 2006. Housing starts should total 1.46 million units this year and 1.52 million in 2008, down from 1.80 million last year.

"If it weren't for a favorable economic backdrop, housing would probably have a hard landing. As it is, we see this as a soft landing with home sales rising gradually in the second half of the year and prices recovering a bit later," Yun said.

The 30-year fixed-rate mortgage should rise slowly to 6.5 percent by the fourth quarter. Last week, Freddie Mac reported the 30-year rate was 6.16 percent.

The national median existing-home price is forecast to slip 1.0 percent to \$219,800 this year, and then rise 1.4 percent in 2008. The median new-home price is expected to be essentially unchanged at \$246,400 in 2007, and then rise 2.2 percent next year.

The unemployment rate will probably average 4.6 percent this year, unchanged from 2006. Inflation, as measured by the Consumer Price Index, is estimated to decline to 2.5 percent in 2007, down from 3.2 percent last year, while growth in the U.S. gross domestic product is projected at 2.1 percent in 2007, lower than the 3.3 percent growth last year. Inflation-adjusted disposable personal income should rise 2.6 percent in 2007, the same as last year.

Housing forecast dips slightly due to tighter lending by Bend_Weekly_News_Sources